Risk Factors Comparison 2024-03-07 to 2023-03-06 Form: 10-K

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You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10- K and our other public filings with the SEC. The risks described below are not the only risks facing our Company. The occurrence of any of the following risks, or of additional risks and uncertainties not presently known to us or that we currently believe to be immaterial, could cause our business, prospects, operating results, and financial condition to suffer materially. The risks below also include forward- looking statements, and important factors could cause our actual results to differ materially from those indicated or implied by these forward- looking statements. See " Cautionary Note Concerning Forward- Looking Statements. " Risks Related to our Business, Operations and Industry We have experienced variability in sales and may not be able to maintain profitable operations. Several factors have caused our results of operations to fluctuate and we expect some of these fluctuations to continue. Causes of these fluctuations include: ● shifts in customer demand that affect our distribution models, including demand for total solutions; ● loss of customers to competitors; ● rising interest rates; ● inflation; ● industry shipments of new products or upgrades; ● changes in overall demand and timing of product shipments related to economic markets and to government spending; ● supply constraints; ● changes in vendor distribution of products; ● changes in our product offerings and in merchandise returns; ● changes in distribution models as a result of the growing adoption of cloud and software- as- a- service, or SaaS, offerings; and ● adverse weather conditions that affect response, distribution, or shipping. Our results also may vary based on our ability to manage personnel levels in response to fluctuations in revenue. We base personnel levels and other operating expenditures on sales forecasts. If our revenues do not meet anticipated levels in the future, we may not be able to reduce our staffing levels and operating expenses in a timely manner to avoid significant losses from operations. Our sales are dependent on continued innovations in hardware, software and services by our vendor partners and the competitiveness of their offerings, and our ability to partner with new and emerging technology providers. The technology industry is characterized by rapid innovation and the frequent introduction of new and enhanced hardware, software and services, such as cloud- based solutions and other virtual services, including SaaS, infrastructure as a service, or IaaS, platform as a service, or PaaS, device as a service, or DaaS, the internet of things, or IoT, and ~~artificial intelligence, or~~ AI. We have been and will continue to be dependent on innovations in hardware, software and services, as well as the acceptance of those innovations by customers. Also, customers may delay spending while they evaluate new technologies. A decrease in the rate of innovation, a lack of acceptance of innovations by our customers or delays in technology spending by our customers, could have an adverse effect on our business, results of operations or cash flows. In addition, if we are unable to anticipate and expand our capabilities to keep pace with changes in technology and new hardware, software and services, for example by providing the appropriate training to our account managers, technology specialists and engineers to enable them to effectively sell and deliver such new offerings to customers, our business, results of operations or cash flows could be adversely affected. We also are dependent upon our vendor partners for the development and marketing of hardware, software and services to compete effectively with hardware, software and services of vendors whose products and services we do not currently offer or that we are not authorized to offer in one or more customer channels. To the extent that a vendor' s offering that is in high demand is not available to us for resale in one or more customer channels, and there is not a competitive offering from another vendor that we are authorized to sell in such customer channels, our business, results of operations or cash flows could be adversely impacted. **We use artificial intelligence in our business, as do certain of our business partners, and challenges with properly managing its use could result in reputational harm, competitive harm, significant unexpected expenses and legal liability, which may adversely affect our results of operations. Our business utilizes artificial intelligence and machine learning technologies, which are offered by third parties, to add AI- based applications to our offerings. Our offerings utilize machine learning algorithms, predictive analytics, and other artificial intelligence technologies. If these artificial intelligence or machine learning models are incorrectly designed, the performance of our products, services, and business, as well as our reputation, could suffer or we could incur liability through the violation of laws or contracts to which we are a party. If we fail to deploy AI as intended, our competitors may incorporate AI technology into their products or services more successfully than we do, which may impair our ability to effectively compete in the market. In addition, market acceptance of artificial intelligence and machine learning technologies is uncertain. Additionally, we are making, and plan to make in the future, investments in adopting artificial intelligence and machine learning technologies across our business. As a result, the integration of AI into our operations may not be successful despite expending significant time and monetary resources to attempt to do so. Our investments in deploying such technologies may be substantial and may be more expensive than anticipated. As with many technological innovations, artificial intelligence presents risks and challenges that could affect its adoption, and therefore our business. Uncertainty in the legal regulatory regime relating to AI may require significant resources to modify and maintain business practices to comply with U. S. and non- U. S. laws, the nature of which cannot be determined at this time. Several jurisdictions around the globe, including Europe and certain U. S. states, have already proposed or enacted laws governing AI. For example, on October 30, 2023, the Biden administration issued an Executive Order to, among other things, establish extensive new standards for AI safety and security. Other jurisdictions may decide to adopt similar or more restrictive legislation that may render the use of such technologies challenging. These obligations may make it harder for us to conduct our business using AI, lead to regulatory fines or penalties, require us to change our product offerings or business practices, or prevent or limit our use of AI. If we cannot use AI, or that use is**

restricted, our business may be less efficient, or we may be at a competitive disadvantage. Any of these factors could adversely affect our business, financial condition, and results of operations. ~~Substantial~~ **15Substantial** competition could reduce our market share and may negatively affect our business. The direct marketing industry and the computer products retail business, in particular, are highly competitive. We compete with other national solutions providers of hardware and software and computer related products, including CDW Corporation and Insight Enterprises, Inc., who are the current leaders in the space. Certain hardware and software vendors, such as Apple, Dell **Inc.** , Lenovo, and HP **Inc.** , who provide products to us, also sell their products directly to end users through their own direct ~~salesforce~~ **sales force** , catalogs, stores, and via the Internet. We also compete with computer retail stores and websites, who are increasingly selling to business customers and may become a significant competitor, including e- tailers, such as Amazon, with more extensive commercial online networks **. As we continue to expand and mature our AI services, we compete with other companies that develop and deliver on bespoke AI projects, such as Palantir and Scale. ai** . We compete not only for customers, but also for advertising support from IT product manufacturers. Some of our competitors have larger customer bases and greater financial, marketing, and other resources than we do. In addition, some of our competitors offer a wider range of products and services than we do and may be able to respond more quickly to new or changing opportunities, technologies, and customer requirements. Many current and potential competitors also have greater name recognition, engage in more extensive promotional activities, and adopt pricing policies that are more aggressive than ours. We expect competition to increase as retailers and solution providers who have not traditionally sold computers and related products enter the industry. In addition, product resellers and national solutions providers are combining operations or acquiring or merging with other resellers and national solutions providers to increase efficiency. Moreover, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to enhance their products and services. Accordingly, it is possible that new competitors or alliances among competitors may emerge and acquire significant market share. We may not be able to continue to compete effectively against our current or future competitors. If we encounter new competition or fail to compete effectively against our competitors, our business market share, results of operations or cash flows may be adversely impacted. We face and will continue to face significant price competition, which could result in a reduction of our profit margins. Generally, pricing is very aggressive in our industry, and we expect pricing pressures to escalate should economic conditions deteriorate or inflationary pressures increase in excess of the amounts our customers are willing to pay. An ~~15increase~~ -- **increase** in price competition could result in a reduction of our profit margins. We may not be able to offset the effects of price reductions with an increase in the number of customers **we serve** , higher sales **to existing customers** , cost reductions, or otherwise. Such pricing pressures could result in ~~an~~ **the** erosion of our market share, reduced sales, and reduced operating margins, any of which could have a material adverse effect on our business ~~. We face various risks related to health epidemics, pandemics and similar outbreaks, which may have material adverse effects on our business~~ , financial position, results of operations ~~and / or cash flows. We face a wide variety of risks related to health epidemics~~ , ~~pandemics~~ and similar outbreaks, especially of infectious diseases......, results of operations and / or cash flows. Inflation may adversely impact our business, financial condition and results of operations. Inflation has the potential to adversely affect our business, financial condition and results of operations by increasing our overall cost structure, including cost of products and selling, general and administrative, or SG & A, expenses. In an inflationary environment, we may be unable to raise the prices of our products sufficiently to keep up with the rate of inflation, which would reduce our profit margins and cash flows. Other inflationary pressures could affect wages, and other inputs and our ability to meet our customer demand. Inflation may further exacerbate other risk factors, including supply chain disruptions, the recruitment and retention of qualified employees. 16The interruption of the flow of products from suppliers could disrupt our supply chain. Our business depends on the timely supply of products in order to meet the demands of our customers. Manufacturing interruptions or delays, including as a result of the financial instability or bankruptcy of manufacturers, significant labor disputes such as strikes, **armed conflicts,** natural disasters, political or social unrest, pandemics ~~(such as the COVID- 19 pandemic)~~ or other public health crises, or other adverse occurrences affecting any of our suppliers' facilities, could disrupt our supply chain. We could experience product constraints due to the failure of suppliers to accurately forecast customer demand, or to manufacture sufficient quantities of product to meet customer demand (including as a result of shortages of product components), among other reasons. Additionally, the relocation of key distributors utilized in our purchasing model could increase our need for, and the cost of, working capital and have an adverse effect on our business, results of operations or cash flows **.** Our supply chain is also exposed to risks related to international operations. While we purchase our products primarily in the markets we serve (for example, products for US customers are sourced in the US), our vendor partners manufacture or purchase a significant portion of the products we sell outside of the US, primarily in Asia. Political, social or economic instability in Asia, or in other regions in which our vendor partners purchase or manufacture the products we sell, could cause disruptions in trade, including exports to the US. Other events related to international activities that could cause disruptions to our supply chain include: ● the imposition of additional trade law provisions or regulations, the adoption or expansion of trade restrictions, including new or expanded economic sanctions in response to the ongoing ~~conflict~~ **conflicts** between Russia and Ukraine **and in the Middle East** ; ● the imposition of additional duties, tariffs and other charges on imports and exports, including any resulting retaliatory tariffs or charges and any reductions in the production of products subject to such tariffs and charges; ● foreign currency fluctuations; and ● restrictions on the transfer of funds. We cannot predict whether the countries in which the products we sell, or any components of those products, are purchased or manufactured will be subject to new or additional trade restrictions or sanctions imposed by the United States or foreign governments, including the likelihood, type or effect of any such restrictions. Trade restrictions, including new or increased tariffs or quotas, embargoes, sanctions, safeguards and customs restrictions against the products we sell, could increase the cost or reduce the supply of product available to us and adversely affect our business, results of operations or cash flows. In addition, our supply chain and our cost of goods also may be negatively impacted by unanticipated price increases due to factors such as inflation, including wage inflation, or to supply restrictions beyond our control or the control of our suppliers. **Failure to provide high quality services to our clients could adversely affect our reputation, brand, business, results of operations or cash flows. Our services include end- to- end technical configuration services related to the design, configuration, and implementation of IT solutions as well as warranties. In addition, we deliver and manage mission critical software, systems and network solutions for our customers. We also offer certain services, such as asset assessment, implementation, maintenance, and disposal services, to our customers through various third- party service providers engaged to perform these services on our behalf. If we or our third- party service providers fail to provide high quality services to our customers or such services result in an unplanned disruption of our customers' businesses, this could, among other things, result in legal claims and proceedings and liability for us. As we expand our services and solutions offerings and provide increasingly complex services and solutions, we may be exposed to additional operational, regulatory and other risks. We could also incur liability for failure to comply with the rules and regulations applicable to new services and solutions we provide to our customers. The occurrence of any such failure could adversely affect our reputation, brand, business, results of operations or cash flows.** ~~General~~ **17General** economic and political conditions, including unfavorable conditions in a business or industry sector, may lead our clients to delay or forgo investments in IT hardware, software and services. Our business has been affected by changes in economic conditions that are outside of our control, including reductions in business investment, loss of consumer confidence, and fiscal uncertainty. Weak economic conditions generally or any broad- based reduction in IT spending would further adversely affect our business, operating results and financial condition. A prolonged slowdown in the global economy, including the possibility of recession or financial market instability or similar crisis, or in a business or industry sector, or the tightening of credit markets, could cause our clients to have difficulty accessing capital and credit sources, delay contractual payments, or delay or forgo decisions to upgrade or add to their existing IT environments, license new software or purchase products or services (particularly with respect to discretionary spending for hardware, software and services). **For example, our customers exercised greater caution and selectivity with their short- term IT investment plans during 2023, which resulted in lower than anticipated sales across our customer base.** Such events ~~could~~ **have in the past had and may in the future** have a material adverse effect on our business, financial condition and results of operations. Economic or industry downturns could result in longer payment cycles, increased collection costs and defaults in excess of our expectations. A significant deterioration ~~17in~~ **in** our ability to collect on accounts receivable could also impact the cost or availability of financing under our ~~bank line of~~ credit **facility** . Moreover, an adverse change in government spending policies (such as budget cuts or limitations or temporary shutdowns of government operations), shifts in budget priorities or reductions in revenue levels, could cause our Public Sector Solutions customers to reduce or delay their purchases or to terminate or not renew their contracts with us, which could adversely affect our business, results of operations or cash flows. These possible actions or the adoption of new or modified procurement regulations or practices could have a material adverse effect on our business, financial position and results of operations. Worldwide economic conditions and market volatility as a result of political leadership in certain countries and other disruptions to global and regional economies and markets, including continuing increases in inflation and interest rates, the possibility of recession, or financial market instability, may impact future business activities. External factors, such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics and other similar outbreaks in many parts of the world, could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. More generally, these geopolitical, social and economic conditions could result in increased volatility in the United States and worldwide in financial markets and in the economy, as well as other adverse impacts. For example, on February 24, 2022, Russian forces launched significant military actions against Ukraine, and sustained conflict and disruption in the region remains ongoing. Potential impacts related to the conflict include further market disruptions, including significant volatility in commodity prices, credit and capital markets, supply chain and logistics disruptions, adverse global economic conditions resulting from escalating domestic and geopolitical tensions, volatility and fluctuations in foreign currency exchange rates and interest rates, inflationary pressures on raw materials and heightened cybersecurity threats, all of which could adversely impact our business. ~~We~~ **18We** acquire a majority of our products for resale from a limited number of vendors. The loss of any one of these vendors could have a material adverse effect on our business. We acquire a majority of our products for resale from a limited number of vendors. The loss of any one of these vendors could have a material adverse effect on our business. We acquire products for resale both directly from manufacturers and increasingly indirectly through distributors and other sources. Although we purchase from a diverse vendor base, product purchases from Ingram Micro, Inc., TD Synnex Corporation **,** and **Microsoft Corporation** ~~Dell Inc.~~ accounted for approximately ~~23~~ **21** %, ~~22~~ **19** % **,** and ~~15~~ **11** % **,** respectively, of our total product purchases in ~~2022~~ **2023** . No other singular vendor supplied more than 10 % of our total product purchases in the year ~~2022~~ **2023** . If we are unable to acquire products, or if we experienced a change in business relationship with any of these vendors, we could experience a short- term disruption in the availability of products, and such disruption could have a material adverse effect on our results of operations and cash flows. Products manufactured by **Microsoft Corporation,** HP Inc. ~~collectively~~ **, and Dell Inc.** represented approximately ~~14~~ **15** % **, 13 %, and 11 %, respectively,** of our ~~net sales~~ **total product purchases** in ~~2022~~ **2023 . No other singular product manufacturer produced more than 10 % of our total product purchases in the year 2023** . We believe that in the event we experience either a short- term or permanent disruption of supply of **Microsoft Corporation,** HP **Inc., or Dell** Inc. products, such disruption would likely have a material adverse effect on our results of operations and cash flows. **We typically do not have long- term contracts with our vendor partners. As such,** ~~Substantially~~ **substantially** all of **these** ~~our contracts and~~ arrangements with ~~our vendors~~ **partners are easily terminable, and there can be no assurance** that ~~supply significant quantities~~ **manufacturers and publishers will continue to sell or will not limit or curtail the availability** of **their** ~~products~~ **product to resellers like** ~~are terminable by such vendors or~~ us ~~without notice or upon short notice~~ . Most of our product vendors provide us with trade credit, of which the amount outstanding at December 31, ~~2022~~ **2023** was $ ~~232~~ **263** . ~~6~~ **7** million. Termination, interruption, or contraction of relationships with our vendors, including a reduction in the level of trade credit provided to us, could have a material adverse effect on our financial position. Some product manufacturers either do not permit us to sell the full line of their products or limit the number of product units available to national solutions providers such as us. An element of our business strategy is to continue increasing our participation in first- to- market purchase opportunities. The availability of certain desired products, especially in the direct marketing channel, has been constrained in the past due to these limits imposed by product manufacturers. We could experience a material adverse effect to our business if we are unable to source first- to- market purchases or similar opportunities, or if significant availability constraints reoccur. ~~18Virtualization~~ -- **Virtualization** of IT resources and applications, including networks, servers, applications, and data storage may disrupt or alter our traditional distribution models. Our customers can access, through a cloud- based platform, business- critical solutions without the significant initial capital investment required for dedicated infrastructure. Growing demand for the development of cloud- based and other virtual services including SaaS, IaaS, PaaS, DaaS, and other emerging technologies, including IoT and AI, may reduce the demand for products and services we sell to our customers. Cloud offerings may influence our customers to move workloads to cloud providers, which may reduce the procurement of products and services from us. Changes in the IT industry may also affect the demand for our advanced professional and managed services. We have invested a significant amount of capital in our strategy to provide certain products and services, and this strategy may adversely impact our financial position due to competition or changes in the industry or improper focus or selection of the products and services we decide to offer. If we fail to react in a timely manner to such changes, our results of operations may be adversely affected. Our sales can be dependent on demand for specific product categories, and any change in demand for or supply of such products could have a material adverse effect on our results of operations. The methods of distributing IT products are changing, and such changes may negatively impact us and our business. The manner in which IT hardware and software is distributed and sold is changing, and new methods of distribution and sale have emerged, including distribution through cloud- based and other virtual solutions. In addition, hardware and software manufacturers have sold, and may intensify their efforts to sell, their products directly to end users. From time ~~to~~ **19to** time, certain manufacturers have instituted programs for the direct sales of large order quantities of hardware and software to certain major corporate accounts. These types of programs may continue to be developed and used by various manufacturers. Some of our vendors, including Apple, Dell **Inc.** , HP **Inc.** , and Lenovo, currently sell some of their products directly to end users and have stated their intentions to increase the level of such direct sales. In addition, manufacturers may attempt to increase the volume of software products distributed electronically to end users. An increase in the volume of products sold through or used by consumers of any of these competitive programs, or our inability to effectively adapt our business to increased electronic distribution of products and services to end users could have a material adverse effect on our results of operations. We depend heavily on third- party shippers to deliver our products to customers and would be adversely affected by a service interruption by these shippers. Many of our customers elect to have their purchases shipped by an interstate common carrier, such as United Parcel Service, Inc., or UPS, or FedEx Corporation. A strike or other interruption in service, including, among other things, inclement weather experienced could adversely affect our ability to market or deliver products to customers on a timely basis. We may experience increases in shipping and postage costs, which may adversely affect our business if we are not able to pass such increases on to our customers. Shipping costs are a significant expense in the operation of our business. Increases in postal or shipping rates could significantly impact the cost of shipping customer orders and mailing our catalogs. Postage prices and shipping rates increase periodically, and we have no control over future increases. We have a long- term contract with UPS and believe that we have negotiated favorable shipping rates with our carriers. While we generally invoice customers for shipping and handling charges, we may not be able to pass on to our customers the full cost, including any future increases in the cost, of commercial delivery services, which would adversely affect our business. ~~19We~~ **We** may experience a reduction in the incentive programs offered to us by our vendors. Some product manufacturers and distributors provide us with incentives such as supplier reimbursements, payment discounts, price protection, rebates, and other similar arrangements. The increasingly competitive technology reseller market has already resulted in the following: ● reduction or elimination of some of these incentive programs; ● more restrictive price protection and other terms; and ● reduced advertising allowances and incentives. Many product suppliers provide us with advertising allowances, and in exchange, we feature their products on our website and in other marketing vehicles. These vendor allowances, to the extent that they represent specific reimbursements of incremental and identifiable costs, are offset against SG & A expenses. Advertising allowances that cannot be associated with a specific program funded by an individual vendor or that exceed the fair value of advertising expense associated with that program are classified as offsets to cost of sales or inventory. In the past, we have experienced a decrease in the level of vendor consideration available to us from certain manufacturers. The level of such consideration we receive from some manufacturers may decline in the future. Such a decline could decrease our gross profit and have a material adverse effect on our earnings and cash flows. Should our financial performance not meet expectations, we may be required to record a significant charge to earnings for impairment of goodwill and other intangibles. We test goodwill for impairment each year and more frequently if potential impairment indicators arise. Although the fair value of our **Enterprise Solutions and** Business ~~Solutions and Enterprise~~ Solutions reporting units exceeded their carrying value at our annual impairment test, should the financial performance of a reporting unit not meet expectations due to the economy or ~~otherwise~~ **20otherwise** , we would likely adjust downward expected future operating results and cash flows. Such adjustment may result in a determination that the carrying value of goodwill and other intangibles for a reporting unit exceeds its fair value. This determination may in turn require that we record a significant non- cash charge to earnings to reduce the $ 73. 6 million aggregate carrying amount of goodwill held by our **Enterprise Solutions and** Business ~~Solutions and Enterprise~~ Solutions reporting units, resulting in a negative effect on our results of operations. We are exposed to inventory obsolescence due to the rapid technological changes occurring in the IT industry. The market for IT products is characterized by rapid technological change and the frequent introduction of new products and product enhancements. Our success depends in large part on our ability to identify and market products that meet the needs of customers in that marketplace. In order to satisfy customer demand and to obtain favorable purchasing discounts, we have and may continue to carry increased inventory levels of certain products. By doing so, we are subject to the increased risk of inventory obsolescence. Also, in order to implement our business strategy, we intend to continue, among other things, placing larger than typical inventory stocking orders of selected products and increasing our participation in first- to- market purchase opportunities. We may also, from time to time, make large inventory purchases of certain end- of- life products, which would increase the risk of inventory obsolescence. In addition, we sometimes acquire special purchase products without return privileges. For these and other reasons, we may not be able to avoid losses related to obsolete inventory. Manufacturers have limited return rights and have taken steps to reduce their inventory exposure by supporting " configure- to- order " programs authorizing distributors and resellers to assemble computer hardware under the manufacturers' brands. These actions reduce the costs to manufacturers and shift the burden of inventory risk to resellers like us, which could negatively impact our business. We are exposed to accounts receivable risk and if customers fail to timely pay amounts due to us, our results of operations and / or cash flows could be adversely affected. We extend credit to our customers for a significant portion of our net sales, typically on 30- day payment terms. We are subject to the risk that our customers may not pay for the products they have purchased or may pay at a slower rate ~~20than~~ -- **than** we have historically experienced. This risk is heightened during periods of global or industry- specific economic downturn or uncertainty, during periods of rising interest rates or, in the case of public sector customers, during periods of budget constraints. Any significant deterioration in our customers' credit quality could, therefore, have a material adverse effect on our business, results of operations and financial condition. Customer default risk is influenced by a number of factors outside of our control, including our customers' financial strength, overall demand for our customers' products and general macroeconomic conditions. Customers may also initiate payment disputes, including as a result of dissatisfaction with the product, IT solution or service they have purchased from us. We have established provisions for losses of receivables. However, actual losses on customer receivables could differ from those that we currently anticipate and, as a result, we may have to increase our provisions which may have a material adverse effect on our results of operations and financial condition. We are dependent on key personnel and, more generally, skilled personnel in all areas of our business and the loss of key persons or the inability to attract, train and retain qualified personnel could adversely impact our business. Our future performance will depend to a significant extent upon the efforts and abilities of our senior executives and other key management personnel. The current environment for qualified management personnel in the computer products industry is very competitive, and the loss of service of one or more of these persons could have an adverse effect on our business. Our success and plans for future growth will also depend on our ability to hire, train, and retain skilled personnel in all areas of our business, especially sales representatives and technical support personnel. Our inability to hire, retain, train and redeploy our professionals to successfully drive our business and keep up with ever- changing technologies, could limit our ability to meet our customers' needs and attract new customers and jeopardize our competitive position. In addition, we may face wage inflation in the future, in particular due to the strong competition for qualified personnel in our sector. Failure to pass on these cost increases to our customers or mitigate the increase in wages by increasing our operational efficiency could have a material adverse effect on our profitability and results of operations. ~~may have material adverse effects on our business,financial position,results of operations and / or cash flows.We face a wide variety of risks related to health epidemics,pandemics and~~ similar outbreaks,especially of infectious diseases ~~.For example~~ , ~~the~~ **including** COVID- 19 **.Since first reported in late 2019,the COVID- 19** pandemic **has** dramatically impacted the global health and economic environment,including millions of confirmed cases and deaths,business slowdowns or shutdowns,labor shortages,supply chain challenges,changes in government spending and requirements,regulatory challenges,inflationary pressures and market volatility.As discussed in our prior Form 10- K and Form 10- Q filings,our operations ~~were~~ **have been** impacted by the COVID- 19 pandemic and its related economic challenges.However,we have worked hard to address and mitigate adverse impacts attributable to COVID- 19,and we do not currently anticipate significant additional direct impacts from the pandemic itself on our operations.Nonetheless,we cannot predict the future course of events.If,for example, **the COVID- 19 pandemic worsens,due to spread,new or additional variants,or if** a new health epidemic or outbreak were to occur,we likely would experience broad and varied impacts,including potentially to our workforce and supply chain,with inflationary pressures and increased costs (which may or may not be fully recoverable),schedule or production delays,market volatility and other financial impacts.If any or all of these items were to occur,we could experience adverse impacts on our overall performance,operations and financial results.Given the tremendous uncertainties and variables,we cannot at this time predict the impact of **the global COVID- 19 pandemic,or** any future health epidemics,pandemics or similar outbreaks,but any one could have a material adverse effect on our business,financial position,results of operations and / or ~~cash flows~~ Risks Related to Our Technology, Data and Intellectual PropertyCyberattacks or the failure to safeguard personal information and our IT systems could result in liability and harm our reputation, which could adversely affect our business. Our business is heavily dependent upon IT networks and systems. We have experienced attacks and attempted attacks that have generally been in the form of active intrusion attempts from the internet, passive vulnerability mapping from the internet, and internal malware and or phishing attempts delivered through user actions. Future internal or external attacks on our networks and systems could disrupt our normal operations centers and impede our ability to provide critical products and services to our customers and clients, subjecting us to liability under our contracts and damaging our ~~reputationOur~~ --- **reputation. Our** business also involves the use, storage and transmission of proprietary information and sensitive or confidential data, including personal information about our employees, our clients and customers of our clients. While we take measures to protect the security of, and prevent unauthorized access to, our systems and personal and proprietary information, the security controls for our systems, as well as other security practices we follow, may not prevent improper access to, or disclosure of, personally identifiable or proprietary information. Furthermore, the evolving nature of threats to data security, in light of new and sophisticated methods used by criminals and cyberterrorists, including computer viruses, malware, phishing, misrepresentation, social engineering, and forgery make it increasingly challenging to anticipate and adequately mitigate these risks. The risk of cyber incidents could also be increased by cyberwarfare in connection with the ongoing ~~conflict~~

conflicts between Russia and Ukraine **and in the Middle East** , including potential proliferation of malware from the conflict into systems unrelated to the conflict. Breaches in security could expose us, our supply chain, our customers or other individuals to significant disruptions, a risk of public disclosure, loss or misuse of this information. Security breaches could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, as well as the ~~21loss~~ -- **loss** of existing or potential customers and damage to our brand and reputation. Moreover, media or other reports of perceived vulnerabilities in our network security or perceived lack of security within our environment, even if inaccurate, could adversely impact our reputation and materially impact our business. The cost and operational consequences of implementing further data protection measures could be significant. Such breaches, costs and consequences could adversely affect our business, results of operations, or cash flows. ~~Our~~ **22Our** business could be materially adversely affected by system failures, interruption, integration issues, or security lapses of our IT systems or those of our third- party providers. Our ability to effectively manage our business depends significantly on our information systems and infrastructure as well as, in certain instances those of our business partners and third- party providers. The failure of our current systems to operate effectively or to integrate with other systems, including integration of upgrades to better meet the changing needs of our customers, could result in transaction errors, processing inefficiencies, and the loss of sales and customers. In addition, cybersecurity threats are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to company or customer data, denial of service attacks, the processing of fraudulent transactions, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. In our case, these attacks and attempted attacks have generally been in the form of active intrusion attempts from the internet, passive vulnerability mapping from the internet, and internal malware and or phishing attempts delivered through user actions. Although we have in place various processes, procedures, and controls to monitor and mitigate these threats, these measures may not be sufficient to prevent a material security threat or mitigate these risks for our customers. If any of these events were to materialize, they could lead to disruption of our operations or loss of sensitive information as well as subject us to regulatory actions, litigation, or damage to our reputation, and could have a material adverse effect on our financial position, results of operations, and cash flows. Similar risks exist with respect to our business partners and third- party providers. As a result, we are subject to the risk that the activities of our business partners and third- party providers may adversely affect our business even if an attack or breach does not directly impact our systems. We are reliant on the continued development of electronic commerce and Internet infrastructure development to grow our overall sales. We continue to have increasing levels of sales made through our e- commerce sites. The on- line experience for our clients continues to improve, but the competitive nature of the e- commerce channel also continues to increase. Growth of our overall sales is dependent on customers continuing to expand their on- line purchases in addition to traditional channels to purchase products and services. We cannot accurately predict the rate at which on- line purchases will expand. Our success in growing our Internet business will depend in large part upon our development of an increasingly sophisticated e- commerce experience and infrastructure. Increasing customer sophistication requires that we provide additional website features and functionality in order to be competitive in the marketplace and maintain market share. We will continue to iterate our website features, but we cannot predict future trends and required functionality or our adoption rate for customer preferences. As the number of on- line users continues to grow, such growth may impact the performance of our existing Internet infrastructure, which would adversely impact our business. We could experience Internet and other system failures which would interfere with our ability to process orders. We depend on the accuracy and proper use of our management information systems, including our telephone system. Many of our key functions depend on the quality and effective utilization of the information generated by our management information systems, including: ● our ability to purchase, sell, and ship products efficiently and on a timely basis; ● our ability to manage inventory and accounts receivable collection; and ● our ability to maintain **our** operations. ~~22Our~~ -- **Our** management information systems require continual upgrades to ~~most~~ effectively manage our operations and customer database. Although we maintain some redundant systems, with full data backup, a significant component of our computer and telecommunications hardware is located in a single facility in New Hampshire, and a substantial interruption in our management information systems or in our telephone communication systems, including those resulting from extreme weather and natural disasters, as well as power loss, telecommunications failure, or similar ~~events~~ **23events** , would substantially hinder our ability to process customer orders and thus could have a material adverse effect on our business. Privacy concerns with respect to list development and maintenance may materially adversely affect our business. We mail catalogs and other promotional materials to names in our customer database and to potential customers whose names we obtain from rented or exchanged mailing lists. Public concern regarding the protection of personal information has subjected the rental and use of customer mailing lists and other customer information to increased scrutiny. Legislation enacted limiting or prohibiting the use of rented or exchanged mailing lists could negatively affect our business. Risks Related to Regulatory and Legal MattersWe are exposed to risks from legal proceedings and audits, which may result in substantial costs and expenses or interruption of our normal business operations. We are party to various legal proceedings that arise in the ordinary course of our business, which include commercial, employment, tort and other litigation. We are subject to intellectual property infringement claims against us from time to time in the ordinary course of our business, either because of the products and services we sell or the business systems and processes we use to sell such products and services, in the form of cease- and- desist letters, licensing inquiries, lawsuits and other communications and demands. In our industry, such intellectual property claims have become more frequent as the complexity of technological products and the intensity of competition in our industry have increased. Increasingly, many of these assertions are brought by non- practicing entities whose principal business model is to secure patent licensing revenue, but we may also be subject to demands from inventors, competitors or other patent holders who may seek licensing revenue, lost profits and / or an injunction preventing us from engaging in certain activities, including selling certain products or services. We also are subject to proceedings, investigations and audits by federal, state, international, national, provincial and local authorities, including as a result of our sales to governmental entities. We also are subject to audits by various vendor partners and large customers, including government agencies, relating to purchases and sales under various contracts. In addition, we are subject to indemnification claims under various contracts. Current and future litigation, infringement claims, governmental proceedings and investigations, audits or indemnification claims that we face may result in substantial costs and expenses and significantly divert the attention of our management regardless of the outcome. In addition, these matters could lead to increased costs or interruptions of our normal business operations. Litigation, infringement claims, governmental proceedings and investigations, audits or indemnification claims involve uncertainties and the eventual outcome of any such matter could adversely affect our business, results of operations or cash flows. The failure to comply with our public sector contracts could result in, among other things, fines or liabilities. Revenues from the Public Sector Solutions segment are derived from sales to federal, state, and local government departments and agencies, as well as to educational institutions, through various contracts and open market sales. Government contracting is a highly regulated area. Noncompliance with government procurement regulations or contract provisions could result in civil, criminal, and administrative liability, including substantial monetary fines or damages, termination of government contracts, and suspension, debarment, or ineligibility from doing business with the ~~23government~~ -- **government** . Our current arrangements with these government agencies allow them to cancel orders with little or no notice and do not require them to purchase products from us in the future. The effect of any of these possible actions by any government department or agency could adversely affect our financial position, results of operations, and cash flows. ~~We~~ **24We** face uncertainties relating to ~~unclaimed property and~~ the collection of state sales and use tax. We collect and remit sales and use taxes in states in which we have either voluntarily registered or have a physical presence. Various states have sought to impose on direct marketers the burden of collecting state sales and use taxes on the sales of products shipped to their residents. Many states have adopted rules that require companies and their affiliates to register in those states as a condition of doing business with those state agencies. Our three sales companies are registered in substantially all states, however, if a state were to determine that our earlier contacts with that state exceeded the constitutionally permitted contacts, the state could assess a tax liability relating to our prior year sales ~~. Various states have from time to time initiated unclaimed property audits of our company escheatment practices~~ . Risks Related to Our Common Stock Our common stock price may be volatile and may decline regardless of our operating performance, and holders of our common stock could lose a significant portion of their investment. The market price for our common stock may be volatile. Our stockholders may not be able to resell their shares of common stock at or above the price at which they purchased such shares, due to fluctuations in the market price of our common stock, which may be caused by a number of factors, many of which we cannot control, including the risk factors described in this Annual Report on Form 10- K and the following: ● changes in financial estimates by any securities analysts who follow our common stock, our failure to meet these estimates or failure of securities analysts to maintain coverage of our common stock; ● downgrades by any securities analysts who follow our common stock; ● future sales of our common stock by our officers, directors and significant stockholders; ● market conditions or trends in our industry or the economy as a whole; ● investors' perceptions of our prospects; ● announcements by us or our competitors of significant contracts, acquisitions, joint ventures or capital commitments; and ● changes in key personnel. In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, including companies in our industry. In the past, securities class action litigation has followed periods of market volatility. If we were involved in securities litigation, we could incur substantial costs, and our resources and the attention of management could be diverted from our business. In the future, we may also issue our securities in connection with investments or acquisitions. The number of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then- outstanding shares of our common stock and depress our stock price. ~~24~~ **25**